

BURNETT WATER DISTRICT
Pierce County, Washington
January 1, 1991 Through December 31, 1993

Schedule Of Findings

1. The District Should Deposit All Moneys Collected With The County Treasurer

The district maintains a checking account with a commercial bank in Buckley into which it deposits money collected from its customers and from which it pays its expenses. For the three-year period January 1, 1991, through December 31, 1993, the district deposited a total of \$11,649.00 and disbursed \$10,783.58 by check, including \$1,500.00 sent to the county treasurer in September 1991. This was the only amount deposited with the county treasurer during the three-year audit period. The district does not have a sufficient number of customers, nor does it have approval from the county treasurer, to be its own treasurer as authorized by RCW 57.20.135.

RCW 57.20.135 states in part:

Upon obtaining the approval of the county treasurer, the board of commissioners of a water district with more than twenty-five hundred customers may designate by resolution some other person having experience in financial or fiscal matters as the treasurer of the district.

RCW 57.20.140 states in part:

Unless the board of commissioners of a water district designates a treasurer under RCW 57.20.135, the county treasurer shall create and maintain a separate fund designated as the maintenance fund or general fund of the district into which shall be paid all money received by him . . . and all revenues of the district . . . and no money shall be disbursed therefrom except upon warrants of the county auditor issued by authority of the commissioners

RCW 57.20.165 states in part:

Water district moneys shall be deposited by the district in an account, which may be interest bearing . . . The account shall be in the name of the district except, upon request by the treasurer, the accounts shall be in the name of the ' . . . (name of county) . . . county treasurer.' The treasurer may instruct the financial institutions holding the deposits to transfer them to the treasurer at such times as the treasurer may deem appropriate

As a result of acting as its own treasurer, the county treasurer is unable to prepare accurate Schedules Of Cash Activity for the district and the district is not in full compliance with RCW 57.20.140 and RCW 57.20.165.

We recommend the district comply with the requirements of RCW 57.20.140 and RCW 57.10.165 in the future by depositing its funds with the county treasurer and paying its

expenses by county warrants.

2. Internal Control Over District Cash Should Be Improved

As discussed in Finding 1, the district has acted as its own treasurer by depositing receipts into and paying expenses from its own checking account. Our review of the district's cash handling activities during the period January 1, 1991, through December 31, 1993, revealed multiple errors, including the following:

- a. Receipts did not match deposits:
 - (1) In 1991, \$5,060 was receipted and \$5,245 deposited, \$185.00 more than receipted.
 - (2) In 1992, \$3,425 was receipted and \$3,325 deposited, \$100 less than receipted.
 - (3) In 1993, \$3,034 was receipted and \$3,079 deposited, \$45 more than receipted.
- b. A review of the district's checkbook revealed multiple errors including: addition or subtraction errors, balance forwarding errors, and deposit recording errors.

The district checking account did not appear to have been reconciled to the bank statements during the audit period.

The errors noted above result from failing to properly receipt and record funds received and from failing to reconcile the checking account to the bank statement. The district's checkbook should be adjusted to reflect an additional \$1,277.47 in available funds for district purposes.

As a result of these errors, there was no assurance that the district has properly accounted for all moneys received from its customers.

We recommend the district ensure all funds received are properly receipted and recorded, bank statements are reconciled each month, and use its checking account only for the purpose of depositing receipts for transmission to the county treasurer.

3. District Minutes Should Reflect District And Commissioner Compliance With Applicable Laws

District minutes revealed there were only two meetings of the commissioners during the audit period, February 18, 1991, and May 8, 1993. The minutes do not reflect annual elections of a president and secretary as required by RCW 57.12.010; nor, do they reflect commissioner approval of the payment of district expenses which totaled \$4,555.06 in 1991, \$2,695.96 in 1992, and \$3,432.56 in 1993 based on the checks issued by the district. A review of these checks revealed the majority were issued to either Puget Power for electricity or to the health department for water sample testing, and that at least one check was issued in each month of the audit period. Checks issued for other purposes were not material or significant either individually or in combination. At least one check was issued in each month of the audit period.

RCW 57.12.010 states in part:

The board shall annually elect one of its members as president and another as secretary.

RCW 57.20.140 states in part:

. . . the county treasurer shall create and maintain a separate fund designated as the maintenance fund or general fund of the district into which shall be paid all money received by him . . . and no money shall be disbursed therefrom except upon warrants of the county auditor issued by authority of the commissioners

It appears the commissions are unaware of the requirements of the above laws.

As a result of the lack of minutes and failure to record commissioner approval of expenses, it cannot be determined if all laws related to water district operations have been complied with, or that the commissioners have full knowledge of all district expenditures.

We recommend district minutes reflect all actions of the board and the commissioners approve all expenditures as required by law.

4. The District Should Provide All Requested Information

The district did not provide us with customer billing and balance outstanding information for each of the audit years, as we requested. Our audit found the district receipted water and light revenue of \$3,780 in 1991, \$3,425 in 1992, and \$3,034 in 1993. These receipts show operating revenue has declined in each of the last two years.

Lacking customer billing and account balance information we were unable to determine a reason for the decline in operating revenues or whether appropriate collection methods, if necessary, have been implemented.

We recommend district commissioners periodically review customer accounts to ensure all amounts owed the district are being collected.

We also recommend the district comply with requests for records for audit.